



COUNTY OF PLACER

OFFICE OF AUDITOR-CONTROLLER

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October 24, 2014

Lori Walsh
Interim Director of Personnel
145 Fulweiler Avenue, Suite 200
Auburn, CA 95603

Re: Credit Card Review

Dear Ms. Walsh:

The Internal Audit Division of the Auditor-Controller's Office performed a review of credit card purchases made by the Personnel Department (Department) during the period from October 1, 2013 through July 31, 2014. The objectives of our review were to determine whether (a) proper department internal controls regarding the use of county credit cards have been designed to prevent and/or detect fraud or abuse from occurring, and whether those internal controls have been placed into operation and are operating as designed; (b) credit card purchases were made in accordance with the County's *Credit Card Program Policies and Procedures Manual*; (c) credit card purchases were valid and had proper supporting documentation substantiating the expenditure; (d) proper review and approval of monthly department credit card charges were made by the approving official; and (e) department credit card charges were properly reconciled and recorded to the appropriate general ledger account via department journal vouchers.

The Department made 46 purchases, totaling approximately \$12,600, during our review period. Based on our review, which consisted of inquiries of accounting staff regarding current processes and procedures employed by the Department and physical inspection of supporting credit card documentation, except as noted below, it appears the internal controls are operating as designed within the Department.

Our observations and recommendations are as follows:

Sales/Use Tax

During our review, we noted one instance out of ten tested where sales/use tax was not charged by the merchant. Billing Officials must be aware of sales/use tax requirements as stated in the County's *Credit Card Program Policies and Procedures Manual*, Section 8.0 – Telephone/Mail/Internet Orders.

We recommend the Department Billing Official review all invoices/receipts to ensure the appropriate sales tax was charged. If the vendor did not charge sales tax or the sales tax amount charged by the vendor is incorrect, the Department Billing Official should complete the "CAL-Card Supplemental Sales/Use Tax Recap Sheet" as required by the County's *Credit Card Program Policies and Procedures Manual*, Section 8.0 – Telephone/Mail/Internet Orders and Section 20.3 – Billing Official Procedures. You can also refer to the County's Accounting Policies and Procedures Manual under the General Payment Guidelines and Requirements, Sales and Use Tax, page 62, for specific guidelines regarding sales/use tax applicability to shipping and handling charges.

Department's Response:

Personnel confirmed that the appropriate tax was not charged. Personnel has completed and submitted the CAL-Card Supplemental Sales/Use Tax Recap Sheet to the Auditor's Office per the policy. Personnel will review future purchases to ensure that the taxes are consistent with the County's accounting policies and procedures.

Missing Receipt

We noted one instance where the Department did not have an original detailed meal receipt supporting the Monthly Credit Card Report and/or Account Statement nor a Missing Receipt form as required per Sections 19.0 and 20.0 of the County's *Credit Card Program Policies and Procedures Manual*.

We recommend all Cardholders, Approving Officials and Billing Officials be aware of the documentation requirements stated in the County's *Credit Card Program Policies and Procedures Manual*. In addition, the Approving Official should perform a detailed review of the supporting documents for completeness and accuracy and when exceptions to the policy are noted, they should not approve.

Department's Response:

While Personnel did provide a copy of the referenced meal receipt to the audit team as part of this review, Personnel acknowledges that the referenced receipt was not included in the supporting documentation when this credit payment was first authorized and processed. Personnel will ensure that future purchases include the appropriate supporting documentation prior to authorizing payment.

Missing Credit Card

We noted one instance where the Department failed to collect a credit card that was no longer in use and the account was not closed in accordance with the County's *Credit Card Program Policies and Procedures Manual*, Section 14. Section 14 states, "To cancel a credit card,...submit a "Cardholder Account Update" form, with signatures as required on the form, to the Program Administrator in the Procurement Services Division."

We recommend that all Approving and Billing Officials be aware of the credit card modification process in Section 14 of the County's *Credit Card Program Policies and Procedures Manual*. In addition, we recommend that the Department retrieve credit cards and close credit card accounts, in the event that the cardholder separates from the County or Department and when there is no longer a need for the account, in accordance with the County's *Credit Card Program Policies and Procedures Manual*.

Department's Response:

Personnel has submitted the appropriate form canceling the card in question to Procurement and confirmed that it was terminated. We also confirmed that there were no additional charges on this card from when the Department stopped purchasing postage stamps, which was the sole purpose of this card with a \$50 limit.

The Department's responses to our recommendations identified in our review are included above. We did not audit their responses and, accordingly, we do not express an opinion on them.

We appreciate the courtesy and cooperation of the Personnel Department's staff throughout the course of this review.

Respectfully,



Nicole C. Howard, CPA
Assistant Auditor-Controller

cc: Jon Harned, Senior Administrative Services Officer
Placer County Audit Committee